

NEWS RELEASE



Office of the Attorney General Robert E. Cooper, Jr.

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WALGREENS AGREES TO STOP ALLEGED IMPROPER BILLING AND DRUG SWITCHING, ATTORNEY GENERAL BOB COOPER ANNOUNCES

Walgreen Co. (Walgreens) has agreed to stop altering prescriptions without physician approval as part of a multistate agreement to settle allegations of improper billing, Attorney General Bob Cooper announced today.

The agreement resolves claims that Walgreens violated various state and federal statutes and regulations by switching dosage forms of three medications without physician approval to maximize profits. By switching the drugs commonly prescribed for Medicaid patients, Medicaid programs nationwide ultimately had to pay substantially more for these drugs than they would have. Walgreens agreed to comply with state and federal laws in addition to paying \$35 million to the federal government, 42 states and the Commonwealth of Puerto Rico.

“We are pleased with this agreement,” Attorney General Bob Cooper said. “We hope this case will help improve market standards and keep anyone from altering medical prescriptions without consulting with the physicians who prescribe medications to their patients.”

“The TBI has stepped up resources committed to detecting and investigating TennCare fraud during the past two years,” said TBI Director Mark Gwynn. “Our agents are becoming more proactive finding fraudulent conduct and ensuring that the state is made whole and the wrong doer is punished appropriately. We will continue to do so in order to protect the state of Tennessee and its citizens.”

“The continued success of the Attorney General's Office in working with TBI and TennCare staff to identify and resolve these types of settlements go a long way toward reinforcing the financial integrity of our state's Medicaid program,” said TennCare Director Darin Gordon. “These efforts help to ensure that funding is available to assist in meeting the needs of Tennessee's most vulnerable citizens.”

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Walgreens, which currently operates retail pharmacies in 48 states and Puerto Rico, furnishes pharmacy services to Tennessee's TennCare enrollees. Today's settlement is the result of a joint federal-state investigation, which began after a false claims act lawsuit was filed in U.S. District Court in Chicago in 2003. The whistleblower's complaint in that action alleged that Walgreens filled prescriptions for numerous Medicaid recipients by aggressively switching dosage forms of ranitidine (the generic form of Zantac, a commonly prescribed anti-ulcer medication); fluoxetine (the generic form of Prozac, an anti-depressant); and selegiline (the generic form of Eldepryl, used in the treatment of Parkinson's disease and senile dementia).

Government investigators contend that these improper switching practices continued from July 2001 through 2005, and that the wholesale substitution of alternate dosage forms of these drugs resulted in higher payments under the automated Medicaid reimbursement system.

This settlement is the latest in a series resulting from investigations of similar conduct by pharmacy providers nationwide. Together, the three cases settled to date have brought back more than \$120 million to Medicaid programs around the country.

In addition to the payment of cash settlements to the state and federal governments, Walgreens has agreed to the terms of an agreement with the Office of the Inspector General of the United States Department of Health and Human Services. That agreement ensures that Walgreens does not switch dosage forms of medications if the result would increase the costs to third-party payers, including Medicaid, and will subject the company's billing practices to ongoing federal scrutiny.

The settlement was the result of negotiations jointly conducted by the United States Attorney's Office for the Northern District of Illinois and the National Association of Medicaid Fraud Control Units, with representatives of the attorneys general of Ohio, Illinois, Massachusetts, Florida and Texas leading the effort for the states.